

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name MANISTEE COUNTY ROAD COMMISSION	County MANISTEE
Fiscal Year End 09/30/2006	Opinion Date 10/31/2006	Date Audit Report Submitted to State 06/06/2007	

We affirm that


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES                                 | NO                       | Check each applicable box below. (See instructions for further detail.)   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely.  |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) WILSON, WARD CPA FIRM		Telephone Number 231-276-7668	
Street Address PO BOX 205		City INTERLOCHEN	State MI
		Zip 49643	
Authorizing CPA Signature 		Printed Name ROBERT WARD, CPA	License Number 1101028281

MANISTEE COUNTY  
ROAD COMMISSION  
  
MANISTEE, MICHIGAN

AUDIT REPORT

For the Year Ended  
September 30, 2006

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October 31, 2006

Jerry Peterson, Manager  
Manistee County Road Commission  
Manistee, MI

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Manistee County Road Commission. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Manistee County Road Commission are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Manistee County Road Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

### Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Manistee County Road Commission that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

The cooperative attitude of the personnel and the Commission was greatly appreciated. The staff has demonstrated their desire to perform their functions in an efficient and proper manner.

Comment: The cash accounts are now reconciled between the Bank and the General Ledger.

Comment: The use of the new system properly has added greatly to the ability of management to control and report on the financial system.

Comment: Cancellation of invoices can be improved.

Recommendation: All invoices should be authorized to pay, cancelled on the face and cross referenced to the method of payment (normally a check number). This will prevent accidental double payment of an invoice and allow for a readily available audit trail.

We do appreciate the opportunity to have served the Manistee County Road Commission during this somewhat difficult time. The final outcome is a substantial improvement over the past and has made this audit a much more enjoyable event. Thank you.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the Manistee County Road Commission.

Sincerely,

A handwritten signature in black ink, appearing to read "David E. Wilson", written over a horizontal line.

David E Wilson, CPA

MANISTEE COUNTY ROAD COMMISSION, MICHIGAN

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# FINANCIAL SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Manistee County Road Commission  
Manistee, Michigan

We have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Manistee County Road Commission, a component unit of Manistee County, as of and for the year ended September 30, 2006, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Commission in a separate letter dated October 31, 2006.

***Compliance***

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, pass-through agencies and the Commission and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Ward CPA Firm*

Interlochen, MI  
October 31, 2006

# GENERAL PURPOSE FINANCIAL STATEMENTS



## INDEPENDENT AUDITOR'S REPORT

To the Manistee County Road Commission  
Manistee, Michigan

We have audited the accompanying statement of net assets, activities, each major fund, and the aggregate remaining fund information of Manistee County Road Commission, a component unit of Manistee County, as of and for the year September 30, 2006, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission as of September 30, 2006, and the respective changes in financial position, thereof and the budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2006 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Wilson, Ward CPA Firm*  
Interlochen, MI  
October 31, 2006

## MANAGEMENT'S DISCUSSION & ANALYSIS

### INTRODUCTION:

The Manistee County Road Commission (MCRC) is a special purpose government body engaged in a single government program of road maintenance and construction in the County of Manistee, Michigan. The adoption of Governmental Accounting Standards Board Statement Number 34 (GASB-34) has changed the MCRC financial statement presentation. In the past, governmental entities were required to report financial information only on the modified accrual accounting method. The modified accrual method of accounting focuses on current available resources and is referred to as governmental fund level accounting. Now, in addition to the governmental fund level information, governmental entities are also required to report financial information on the full accrual method of accounting. The full accrual method of accounting focuses on the entity as a whole and is referred to as government-wide level accounting. For MCRC, the most significant differences between the governmental fund statements and the government-wide statements relate to capital assets (buildings & equipment) and infrastructure (roads & bridges). Capital assets and infrastructure are not recognized as assets and capitalized at the governmental fund level.

With respect to the Statements of Net Assets and Activities, the fund level financial statements and the government-wide financial statements have been combined and are presented on the same page.

The audited financial activities of MCRC are presented herein. These statements include the following:

Statement of Net Assets.

Statement of Revenues, Expenditures and Changes in Net Assets.

Combined Balance Sheet.

Combined Balance Sheet, of all Fund Types and Account Groups and Discreetly Presented Component Units.

Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets.

Combined Statement of Revenues, Expenditures and Changes in Net Assets.

# MANISTEE COUNTY ROAD COMMISSION

## MANAGEMENT'S DISCUSSION & ANALYSIS (continued)

### ADDITIONAL COMMENTS:

The Total Net Assets for the Government-wide Financial Statements increased by \$5,108,507 during the fiscal year ended September 30, 2006 (2006). The majority of the increase reflects and investment in new capital assets, i.e. a new central facility.

During 2006 the Total Fund Balance for the Fund Financial Statements decreased by \$162,627 which was considered significant by management.

Management however, believes that the Net Assets balance still provides sufficient working capital to support future operations of MCRC.

### BUDGET:

The MCRC budget is prepared in accordance with state law using the modified accrual accounting basis. This is the same accounting basis used for the governmental fund.

### ANALYSIS OF BUDGET AMENDMENTS AND APPROVAL:

#### ORIGINAL BUDGET VERSUS AMENDED BUDGET:

The 2006 budget was adopted September 30<sup>th</sup> 2005. The budget is reviewed periodically and amended as information becomes available or management's plans change. The amended budget revenue was decreased by approximately \$243,306. This decrease is due to the following:

MTF: During 2006, the revenue from Transportation Funding went down do to high gas prices causing consumers to utilize less fuel. This decreased revenue by approximately \$53,000.

Township and CRA Contributions: When the original budget was adopted the Road Commission was expecting several Townships projects to be completed before year end, however the projects took longer and the Township revenue will be showing up on the 2007 revenue instead. This caused a decrease in funding by approximately \$234,000.

Bank Interest: With the 4.5 million in bond proceeds added to the bank accounts, bank interest increased by approximately \$44,000.

Total budgeted expenditures increased from the original budget to the amended budget by approximately \$355,746. This increase is due to the following:

Local Road Maintenance: Three Townships signed road agreements for sealcoating, which caused the Road Commission to skid pave bad areas prior to sealcoating. This increased the budgeted amount for surface paving by approximately \$46,000. Also due to the increase in rain fall, the local surface maintenance went above the budget by approximately \$100,000 in order to keep the gravel roads passable.

# MANISTEE COUNTY ROAD COMMISSION

## MANAGEMENT'S DISCUSSION & ANALYSIS (continued)

Township and CRA construction: Due to the increase in oil emulsions for sealcoating the expenses for Township construction for sealcoating increased our expenditures by approximately \$200,000.

### AMENDED BUDGET VERSUS ACTUAL:

In accordance with the Budget Resolution adopted by the MCRC on September 30<sup>th</sup> 2006, the Manager has modified the budget to various revenue and expenditure accounts which cannot be accurately projected prior to year end. As a result, the Final Adopted Budget of the MCRC has been amended to equal a closer estimate of the actual revenue, expenditures and fund balance for the year ended September 30<sup>th</sup> 2006.

### CAPITAL ASSETS AND LONG-TERM DEBT:

MCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, in the amount of \$22,563,861. This amount, net of related debt is \$18,009,585. This information, which includes infrastructure, is summarized below.

#### NET CAPITAL ASSETS:

Land	\$	31,180
Land and Improvements		467,215
Buildings		5,471,989
Equipment:		
Road		547,239
Shop		409,601
Office		25,856
Engineers		16,869
Yard and Storage		290,599
Depletable Assets		24,065
Infrastructure		<u>15,279,248</u>
Total Capital Assets:	\$	22,563,861

Accumulated Depreciation Totaled \$22,347,592

## MANISTEE COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION & ANALYSIS (continued)

#### CAPITAL ASSETS, NET OF RELATED DEBT:

Net Capital Assets	\$	22,563,861
Related Debt – Bond Payable		<u>4,554,276</u>
Capital Assets, Net of Related Debt	\$	<u>18,009,585</u>

Additional information regarding capital assets is located in the Notes to the Financial Statements.

#### OTHER:

The Manistee County Road Commission has just completed a new administrative, engineering and vehicle maintenance facility in Bear Lake, Michigan. The partial sale of the Kaleva facility has already happened and the remainder is being rented out. There is a pending closing on the Parkdale facility which will take care of two years of bond payments. MCRC has also reduced staffing by five (5) employees to help further reduce costs.

Management is not aware of any other currently known facts, decisions, or conditions that would be expected to have a significant effect on Manistee County Road Commission's financial condition next year and beyond.

#### COMPARATIVE ANALYSIS:

A comparative financial statement analysis will be provided in future years when prior year information is available.

Manistee County Road Commission  
Statement of Net Assets  
As Of September 30, 2006

	Governmental Activities	Business-Type Activities	Total Governmental Funds
<b>Assets</b>			
Cash and Equivalents	\$63,708	\$0	\$63,708
Investments	0	0	0
Accounts Receivable	800,522	0	800,522
Inventory	318,697	0	318,697
Prepaid Insurance	84,381	0	84,381
Total Current Assets	1,267,308	0	1,267,308
Capital Assets - Net	22,563,861		22,563,861
Work In Process	0		0
	22,563,861		22,563,861
<b>Total Assets</b>	<b>23,831,169</b>		<b>23,831,169</b>
<b>Liabilities</b>			
Accounts Payable	24,984	0	24,984
Accrued Salaries & Wages	55,996		55,996
Equipment Purchase Advance	0		0
State Trunkline Maintenance Advance	196,529		196,529
Township Advance	2,420		2,420
Accrued Construction Cost	0		0
Accrued Interest	0		0
Performance Deposit	5,000		5,000
Long Term Debt	4,466,622		4,466,622
Compensated Absences	87,654		87,654
Total Liabilities	4,839,205	0	4,839,205
<b>Net Assets</b>			
Capital Fixed Assets- Net	22,563,861		22,563,861
Restricted - Inventory	318,697	0	318,697
Unrestricted	(3,890,594)		(3,890,594)
Total Net Assets	18,991,964	0	18,991,964
<b>Total Liabilities and Net Assets</b>	<b>\$23,831,169</b>	<b>\$0</b>	<b>\$23,831,169</b>

**MANISTEE COUNTY ROAD COMMISSION**  
**Statement of Revenues, Expenditures and Changes in Net Assets**  
For the Year Ended September 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Public safety	\$0				\$0		\$0
Public works	4,658,119	53,993	4,541,397		(62,729)		(62,729)
Health and Recreation	0				0		0
Community and Economic Development	0				0		0
Depreciation on Fixed Assets	617,592				(617,592)		(617,592)
Interest on Long Term Debt	113,441				(113,441)		(113,441)
Total Primary Government	5,389,152	53,993	4,541,397	0	(793,762)	0	(793,762)
	Unrestricted Earnings				870,098		870,098
	Miscellaneous				534,285	0	534,285
	Transfers				0		0
Total General Revenue-Special Items and Transfers					1,404,383	0	1,404,383
Changes in Net Assets					610,621	0	610,621
Net Assets - Beginning					18,381,343		18,381,343
Net Assets - Ending					\$18,991,964	\$0	\$18,991,964

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**MANISTEE COUNTY ROAD COMMISSION**  
**Balance Sheet**  
As Of September 30, 2006

	Governmental Fund Types		
	General	Other Non Major Funds	Total Governmental
<b>Assets</b>			
Cash and Equivalents	\$63,708	\$0	\$63,708
Investments	0		0
Accounts Receivable	800,522		800,522
Inventory	318,697		318,697
Prepaid Insurance	84,381		84,381
Total Assets	1,267,308	0	1,267,308
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts Payable	24,984		24,984
Accrued Salaries & Wages	55,996		55,996
Accrued Interest Payable		0	0
Accrued Construction Cost			0
Equipment Purchase Advance			0
State Trunkline Maintenance Advance	196,529		196,529
Township Advance	2,420		2,420
Performance Deposit	5,000		5,000
Total Liabilities	284,929	0	284,929
<b>Fund Balances:</b>			
Reserved for Equipment Replacement			0
Reserved for Debt Service		0	0
Reserved for Inventory	318,697		318,697
Unreserved	663,682		663,682
Total Fund Equity	982,379	0	982,379
Total Liabilities and Fund Balance	\$1,267,308	\$0	\$1,267,308



**MANISTEE COUNTY ROAD COMMISSION**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balance**  
**All Governmental Fund Types**  
**For the Year Ended September 30, 2006**

	Governmental Fund Types		Total Governmental
	General Funds	Other Non Major Fund	
<b>Revenues</b>			
Motor Vehicle Funds	\$3,360,872		\$3,360,872
Urban	343,034		343,034
State	1,132,358		1,132,358
Federal	48,167		48,167
Township	870,098		870,098
Other	245,244		245,244
Total Revenues	5,999,773	0	5,999,773
<b>Expenses</b>			
Current	10,742,228	113,441	10,855,669
Debt Payment		100,000	100,000
Total Expenditures	10,742,228	213,441	10,955,669
Excess Revenue (Expenditures)	(4,742,455)	(213,441)	(4,955,896)
Operating Transfers In	226,647	213,441	440,088
Operating Transfers (Out)	(213,441)	(226,647)	(440,088)
Depreciation Distributed			
Proceeds from Debt	4,566,622		4,566,622
Fund Balance/Retained Earnings - Beginning of Year	1,145,006	226,647	1,371,653
Fund Balance/Retained Earnings - End of Year	\$982,379	\$0	\$982,379

MANISTEE COUNTY ROAD COMMISSION

RECONCILIATION OF THE BALANCE SHEET FUND BALANCE  
TO THE STATEMENT OF NET ASSETS  
For the Year Ended September 30, 2006

Total Governmental Fund balance	\$982,379
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Amounts reported for governmental activities in  
the Statement of Net Assets are different due to:

Governmental Assets

Capital Assets	22,563,861
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Long Term Liabilities

Bonds Payable	(4,466,622)	
Compensated Absences	(87,654)	<u>(4,554,276)</u>

Net assets of governmental activities	\$18,991,964
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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2006

Net change in fund balance - Total Governmental Funds	(\$389,274)
Capital Outlays reported as expenditures	5,509,485
Repayment of Bond Debt	100,000
Changes in Compensated Absences & prior period	(42,968)
Debt financing reported as income not long term debt	<u>(4,566,622)</u>
Change in Net Assets	\$610,621

**Manistee County Road Commission  
Notes To Financial Statements  
Year Ended September 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Manistee County Road Commission (Road Commission) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Manistee County Road Commission .

Effective October 1, 2002, the Manistee County Road Commission implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain significant changes in the statements include the following:

- ☐ A Management Discussion and Analysis (MD&A) section providing an analysis of the Road Commission's activities, including infrastructure (roads, bridges, etc.).
- ☐ Financial statements prepared using full accrual accounting for all of the Road Commission's activities.
- ☐ A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

**A. Reporting Entity**

The Manistee County Road Commission , which is established pursuant to the County Road Law (MCL 224.1). is governed by a three member Board of County Road Commissioners appointed by the County Board of Commissioners. The Road Commission may not issue debt without the County's approval and property tax levies are subject to County Board of Commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data was not included. Based on the above criteria, the financial statements present the Manistee County Road Commission as a discretely presented component unit of Manistee County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to Manistee County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

## **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Manistee County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Major individual governmental funds are reported as separate columns in the fund financial statements.

## **C. Assets, Liabilities, and Net Assets or Equity**

### **Cash, Cash Equivalents and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair market value.

### **Inventories**

Inventories consisting of equipment parts and supplies of \$151,902 and road materials of \$166,795 are stated at cost based on the weighted-average cost method. Inventory items are charged to equipment repairs and operations and to road construction and maintenance as used.

### Prepaid Assets

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements. Prepaid Insurance at September 30, 2006 was \$84,381.

### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and bridges), are reported in the government-wide financial statements. The Manistee County Road Commission defines those assets with initial individual cost of more than \$200 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

During this fiscal year, a massive physical inventory was taken with assets more appropriately assigned by category. This resulted in shifts of assets and accumulated depreciation, but had no overall effect on net asset valuation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized. The Manistee County Road Commission has retroactively capitalized all of its assets as required effective October 1, 2002.

### Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and the straight-line method for all other assets. The estimated useful life of the assets is from 5 to 50 years.

### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

### Compensated Absences (Accumulated Unpaid Vacations and Sick Leave)

The total accumulated unpaid vacation and sick pay liability of the Manistee County Road Commission at September 30, 2006 was \$87,654. The amount was determined to be a long-term liability in its entirety and is, therefore, reflected as a non-current liability on the government-wide statements. A liability for these amounts is only reported in the government funds for known terminations as of year end.

Manistee County Road employees earn vacation and personal leave in varying amounts depending on the number of years of service. Accumulated vacation may not exceed the total earned for any given year per the union contract. Non-union employees are also subject to the vacation provisions embodied in the union contract. Unpaid vacation and personal leave at September 30, 2006 amounted to \$60,824.

Sick leave is accumulated at the rate of one day for each month of service with accumulation not to exceed 170 days. The policy also provides that employees who separate from employment with the Manistee County Road Commission will be paid for their accumulated sick leave up to a maximum of sixty (60) days.

Effective December 1, 1994, the above sick leave program was replaced with one which each full-time employee shall be given sixty-four to seventy-two hours of short-term leave annually which may be used through out a given fiscal year. In the first pay period of December each year all unused time shall be paid and none is accumulated.

#### Fund Balance

The Manistee County Road Commission reserves those portions of fund equity which are legally segregated for a specific future use which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves have been established for inventories.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### Budgetary Procedures

Budgetary procedures are established pursuant to PA 621 of 1978, as amended, (MCL 141.421) which requires the County Board of Road Commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Manistee County Road Commission's chief financial officer prepares and submits a proposed operating budget to the Board of Road Commissioners for its review and consideration. The budget is submitted to the County and included in its public hearing. For purposes of meeting emergency needs of the Manistee County Road Commission, transfer of appropriations may be made by the authorization of the Clerk. Such transfers of appropriations must be approved by the Manistee County Road Commission at its next regularly scheduled meeting. During the year, the budget is monitored and amendments to the budget

resolution are made as deemed necessary. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements. The major change in the budget is due to the allocation of fringe benefits into major classes of expenses.

### Budget Violations

The budget for Primary Roads as amended was short of actual in an amount of \$97,242.

### **NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

The cash and investments are classified by GASB Statement No. 3 in the following categories:

	Carrying Value
Bank Deposits (Checking, Savings and CDs)	63,608
Petty Cash and Cash on Hand	<u>100</u>
Total	63,708

### Legal Provisions

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, states that the Manistee County Road Commission, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rate at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Manistee County Road Commission's insured deposit amount results from the County Road Fund meeting certain specified criteria under FDIC regulations. The risk disclosures for the Manistee County Road Commissions deposits, as required by Governmental Accounting Standards Board (GASB) Statement No. # 3 are as follows:

	Insured	Uninsured
Bank Deposits (Checking, Savings and CDs)	63,608	0
Total	63,608	0

#### **NOTE 4 - PENSION PLAN**

The Manistee County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

MERS is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner. MERS is a non-profit entity, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

MERS issues a financial report, available to the public, which includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N Canal Road, Lansing, Michigan 48917.

All full time Manistee County Road Commission union and administrative employees are eligible to participate in the system. Benefits vest after ten years of service. Employees who retire at or after age 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the member's 5 year final average compensation. Effective July 1, 1999, the plan was changed to MERS F55 so that employees with at least 30 years of service and age 55 can retire with full benefits. The system also provides death and disability benefits which are established by State Statute. The Manistee County Road Commission is required to contribute the amounts necessary to fund the Michigan Municipal Employees Retirement System using the actuarial basis specified by statute.

#### **Actuarial Accrued Liability**

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and the assumption that benefits will increase 2.5% annually after retirement.



All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/05)

Actuarial Accrued Liability:	
Retirees and beneficiaries current receiving benefits	\$5,071,516
Terminated employees (vested former members)	342,755
Current Employees:	
Accumulated employee contributions including allocated investment income	0
Employer financed	<u>3,622,849</u>
Total Actuarial Accrued Liability	9,037,120
Net Assets Available at Actuarial Value	4,056,018
Unfunded Actuarial Accrued Liability	4,981,102

GASB 27 INFORMATION (as of 12/31/05)

Fiscal Year Beginning	January 1, 2007
Annual Required Contribution (ARC)	\$478,140
Amortization Factor Used - Underfunded Liabilities	0.053632

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended December 31, 2005 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contributions amounts and percentages for recent years:

### Three Year Trend Information for GASB Statement No. 27

Year Ended	Annual Pension Cost of APC	Percentage Of APC Contributed	Net Pension Obligation
12/31/02	186,226	100%	-0-
12/31/03	351,750	100%	-0-
12/31/04	265,876	100%	-0-
12/31/05	293,597	100%	-0-

### Required Supplementary Information for GASB Statement 27

Actuarial Valuation Date	Actuarial Value Assets	Actuarial Accrued Liability (AAL)	Under-Funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/01	3,465,264	6,983,429	3,488,165	50%	1,334,092	261%
12/31/02	3,454,256	7,396,448	3,942,256	53%	1,528,920	258%
12/31/03	3,721,561	7,989,189	4,267,628	47%	1,526,988	279%
12/31/04	3,855,814	8,915,083	5,059,269	43%	1,595,479	317%
12/31/05	4,056,018	9,037,120	4,981,102	45%	1,528,567	326%

The Manistee County Road Commission contracts with the State of Michigan to perform state highway maintenance functions for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Manistee County Road Commission for the costs incurred. These cost reimbursement contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures which may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreement with the Manistee County Road Commission. The audit adjustment is accounted for as an adjustment of the current year's expenditures.

The Manistee County Road Commission is party to various legal proceedings incidental to its operations. Certain claims, suits and complaints arising in the ordinary course of operations have been filed against the Manistee County Road Commission. In the opinion of management and legal counsel, all such matters are adequately covered by insurance or, if not so covered, are without merit or are in a very preliminary state, and it is not possible to currently assess the probability of an unfavorable outcome.

## **NOTE 5 - EQUIPMENT AND TRUNKLINE MAINTENANCE ADVANCE**

The State of Michigan has advanced funds to the Manistee County Road Commission for the purchase of equipment and for trunkline maintenance. Each advance is an annual advance with appropriate adjustments made each year to reflect the current balance based on applicable formula developed by the Michigan Department of Transportation. Because the transaction is an annual advance, the transaction is classified as a liability in the Special Revenue Fund, rather than an item included in Long-Term Debt, in accordance with the instructions of the Local Audit Division of the Michigan Department of Treasury.

## **NOTE 6 - LONG-TERM DEBT**

Michigan Department of Transportation - SIB Loan

Michigan Transportation Fund Bonds, Series 2004

This special purpose Construction Fund and its associated Debt Service fund have been established to account for all transactions with regard to the construction of the new Manistee County central facility.

The initial debt is for \$4,500,000 at a rate of 4.375% with a payment schedule as follows:

Date	Payment	Interest	Principal
February 2007	96,638	96,638	
August 2007	196,938	96,638	100,000
February 2008	94,888	94,888	
August 2008	194,888	94,888	100,000
February 2009	93,138	93,138	
August 2009	243,138	93,138	150,000
February 2010	91,388	91,388	
August 2010	241,388	91,388	200,000
February 2011	86,575	86,575	
August 2011	286,575	86,575	200,000
Next Five Years	1,886,502	736,502	1,150,000
Next Five Years	1,864,628	464,628	1,400,000
Next Three Years	1,208,426	108,426	1,100,000

In 2006 a rental agreement for an excavator was replaced with a long term debt lease purchase agreement.

The initial debt was for \$66,000 to be paid over a three year life at 4.4% with a payment schedule as follows:

	Payment	Interest	Principal
Oct 1, 2006 to Sept 30, 2007	34,622	1,018	33,605
Oct 1, 2007 to Feb 20, 2008	14,426	108	13,899

#### **NOTE 7 - DEFERRED COMPENSATION PLAN**

The Manistee County Road Commission offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The Manistee County Road Commission does not contribute to the plan.

#### **NOTE 8- RISK MANAGEMENT**

The Manistee County Road Commission manages its liability and property risk by participating in the Michigan County Road Commission Self Insurance Pool and the County Road Association Self Insurance Fund (for workers compensation). These insurance providers are public entity risk pools providing coverage to its members. The Road Commission pays an annual premium to these providers for its insurance coverage. These insurance providers are self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident based on property coverage to its members by internally assuming certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

#### **NOTE 9-CAPITAL ASSETS**

Capital asset activity of the Manistee County Road Commission are listed on the Capital Asset Schedule.

#### **NOTE 10- CHANGE IN ACCOUNTING PRINCIPLE**

Effective October 1, 2002 the Manistee County Road Commission implemented the provisions of GASB Statement 34; Basic Financial Statements and Management's Discussion and Analysis, GASB Statement 37, Amendment to GASB 34, and GASB Statement 38, Certain Financial Statement Note Disclosures.

## SUPPLEMENTAL STATEMENTS

**WILSON, WARD CPA FIRM**

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To the Manistee County Road Commission  
Manistee County  
Manistee, MI

We have audited the combined financial statements of Manistee County Road Commission for the year ended September 30, 2006. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

*Wilson, Ward CPA Firm*

Interlochen, MI  
October 31, 2006

## General Fund

**Manistee County Road Commission  
Statement of Revenues and Changes in Fund Balance  
Budgetary Comparison Schedule  
General Fund**

For the Year Ended September 30, 2006

	Original Estimate Year Ended Sept 30, 2006	Amended Estimate Year Ended Sept 30, 2006	Actual Year Ended Sept 30, 2006	Variance Favorable (Unfavorable)
<b>Revenue</b>				
<b>Motor Vehicle Highway Funds</b>				
Engineering	\$10,000	\$10,000	\$10,000	\$0
Primary	1,949,000	1,949,000	1,900,330	(48,670)
Local Roads	1,443,000	1,443,000	1,450,542	7,542
<b>Total Motor Vehicle</b>	<b>3,402,000</b>	<b>3,402,000</b>	<b>3,360,872</b>	<b>(41,128)</b>
<b>Urban</b>				
Primary	156,000	156,000	146,642	(9,358)
Local Urban	46,650	46,650	43,866	(2,784)
Snow Removal	152,526	152,526	152,526	0
<b>Total Urban</b>	<b>355,176</b>	<b>355,176</b>	<b>343,034</b>	<b>(12,142)</b>
<b>State Economic Development</b>				
Rural Primary	0	0	0	0
Forest Road Funds	73,590	73,590	73,590	0
Budget Stabilization Funds	0	29,073	29,073	0
<b>State Trunkline</b>				
Maintenance Contract	640,000	640,000	703,021	63,021
Non-Contract	100,000	100,000	223,352	123,352
Audited Revenue	130,000	130,000	103,322	(26,678)
<b>Total State</b>	<b>943,590</b>	<b>972,663</b>	<b>1,132,358</b>	<b>159,695</b>
<b>Federal Construction Funds</b>				
<b>Federal Construction/Heavy Maintenance Programs</b>				
Surface Transportation Program	0	0	18,151	18,151
Enhancement	0	0	30,016	30,016
Forest Service	0	0	0	0
<b>Total Federal</b>	<b>0</b>	<b>0</b>	<b>48,167</b>	<b>48,167</b>
<b>Township Contributions</b>				
Township Contributions	600,000	600,000	774,299	174,299
Village Contributions	0	0	95,799	95,799
Other Governmental Contribution	0	0	0	0
<b>Total Township Contributions</b>	<b>600,000</b>	<b>600,000</b>	<b>870,098</b>	<b>270,098</b>
<b>Other</b>				
Salvage Sales	2,875	2,875	38,956	36,081
Interest and Royalties	19,000	19,000	67,289	48,289
Gain on Sale of Equipment	0	0	42,265	42,265
Equipment Rental - net	10,000	10,000	0	(10,000)
Permits	50,000	50,000	53,993	3,993
Other	100	100	42,741	42,641
<b>Total Other</b>	<b>81,975</b>	<b>81,975</b>	<b>245,244</b>	<b>163,269</b>
<b>Total Operating Revenue</b>	<b>5,382,741</b>	<b>5,411,814</b>	<b>5,999,773</b>	<b>587,959</b>
<b>Revenue from Debt Increase</b>			<b>4,566,622</b>	
<b>Total Expenditures</b>			<b>10,729,022</b>	
<b>Revenues over Expenditures</b>			<b>(162,627)</b>	
Revenue from Revolving Fund			<b>0</b>	
<b>Fund Balance- Beginning</b>			<b>1,145,006</b>	
<b>Fund Balance - End of Year</b>			<b>\$982,379</b>	

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



**Manistee County Road Commission  
Statement of Expenditures  
Budgetary Comparison Schedule  
General Fund**

	Original Budget Year Ended Sept 30, 2006	Amended Budget Year Ended Sept 30, 2006	Actual Year Ended Sept 30, 2006	Variance Favorable (Unfavorable)
<b><u>Expenditures</u></b>				
Primary Roads				
Routine Maintenance		\$1,043,165	\$1,140,407	
Heavy Maintenance		234,386	234,386	
Total Primary Roads	1,070,500	1,277,551	1,374,793	(97,242)
Local Roads				
Routine Maintenance		1,308,711	1,308,711	
Heavy Maintenance		1,426,164	1,426,164	
Total Local Roads	757,000	2,734,875	2,734,875	0
State Trunkline				
Maintenance Contract	640,000	664,668	664,668	0
Non-Contract	200,000	223,382	223,382	0
Total State Trunkline	840,000	888,050	888,050	0
Equipment Expense - Net	232,000	1,248,654	1,248,654	0
Administrative Expense - Net	1,333,399	1,361,133	1,361,133	0
Capital Outlay- Net	106,000	5,285,887	5,285,887	0
	4,338,899	12,796,150	12,893,392	(97,242)
Fringe Benefits	1,317,877			
Transfer In Construction		(226,647)	(226,647)	
Transfer Out - Debt Service	132,000	231,420	231,420	
Less Equipment Rental Distributed		1,501,737	1,501,737	
Depreciation Distributed		667,406	667,406	
Total Expenditures	\$5,788,776	\$10,631,780	\$10,729,022	(\$97,242)

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

## Construction Fund

MANISTEE COUNTY ROAD COMMISSION  
CONSTRUCTION FUND  
BALANCE SHEET  
SEPTEMBER 30, 2006

Assets

Cash & Investments	\$0
Due From Other Funds	<u>0</u>
Total Assets	<u><u>0</u></u>

Liabilities & Fund Equity

Accrued Construction Cost	0
Fund Equity - Reserved	<u>0</u>
Total Liabilities & Fund Equity	<u><u>\$0</u></u>

The footnotes are an integral part of these Financial Statements.

**MANISTEE COUNTY ROAD COMMISSION**  
**CONSTRUCTION FUND**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**SEPTEMBER 30, 2006**

Income

Proceeds from Bond Issue	\$0	
Interest	0	
	0	

Total Revenue		0
---------------	--	---

Expenditures

Costs of Issue	0	
Construction Expense	0	
	0	
		0

Net Revenue		0
-------------	--	---

Transfer Out to General Fund		(226,647)
------------------------------	--	-----------

Beginning Fund Balance (Reserved)		226,647
		226,647

Ending Fund Balance (Reserved)		\$0
		\$0

The footnotes are an integral part of these Financial Statements.

## Debt Service Fund

MANISTEE COUNTY ROAD COMMISSION  
DEBT SERVICE FUNDS  
MICHIGAN TRANSPORTATION FUND BONDS  
BALANCE SHEET  
SEPTEMBER 30, 2006

Assets

Cash	\$0
Taxes Receivable	0
Due From Other Funds	0
Total Assets	<u>0</u>

Liabilities & Fund Equity

Accrued Interest	
Due To Other Funds	<u>0</u>
	0

Fund Equity	<u>0</u>
Total Liabilities & Fund Equity	<u>\$0</u>

The footnotes are an integral part of these Financial Statements.

**MANISTEE COUNTY ROAD COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

Revenues	<u>2004 Bond</u>
Taxes	\$0
Local Source Revenues	
Interest on Investments	
Total Revenue	<u>0</u>
Expenditures	
Principal Repayment	100,000
Interest on Bonds	113,441
Local Source Transfers	
Misc Expense	
Total Expenditures	<u>213,441</u>
Excess Revenue Over (Under) Expenditures	(213,441)
Beginning Fund Balance	0
Transferred from GF	<u>213,441</u>
Ending Fund Balance	<u><u>\$0</u></u>

The footnotes are an integral part of these Financial Statements.

# Fixed Assets



**Manistee County Road Commission  
Statement of Changes in Fixed Assets**

**For the Year Ended September 30, 2006**

	Balance 10/01/05	Additions Physical	Additions	Deletions	Balance 09/30/06
<b><u>Fixed Assets</u></b>					
Land	\$31,181				\$31,181
Building Improvements	208,796		410,326		619,122
Buildings	1,679,823		4,340,353		6,020,176
Improvements		437,257	131,679		568,936
Infrastructure	27,313,356		1,720,920		29,034,276
Equipment					
Road	6,681,164	254,128	135,615	89,799	6,981,108
Shop	209,230	363,101	13,175		585,506
Office	100,187		9,751		109,938
Engineers	106,044		7,402		113,446
Yard and Storage	823,699				823,699
Depletable Assets	24,065				24,065
<b>Total Assets</b>	<b>37,177,545</b>	<b>1,054,486</b>	<b>6,769,221</b>	<b>89,799</b>	<b>44,911,453</b>
<b><u>Accumulated Depreciation</u></b>					
Building Improvements	145,582		6,327		151,909
Buildings	835,105	68,089	151,908		1,055,102
Improvements		51,759	10,262		62,021
Infrastructure	12,236,839	382,460	1,135,730		13,755,029
Equipment					
Road	5,684,808	463,296	375,562	89,799	6,433,867
Shop	125,042	43,557	7,305		175,904
Office	75,245	2,241	6,596		84,082
Engineers	84,972	1,395	10,210		96,577
Yard and Storage	441,990	41,689	49,422		533,101
<b>Total Accumulated Depreciation</b>	<b>19,629,583</b>	<b>1,054,486</b>	<b>1,753,322 *</b>	<b>89,799</b>	<b>22,347,592</b>
<b>Net Fixed Assets</b>	<b>\$17,547,962</b>	<b>\$0</b>	<b>\$5,015,899</b>	<b>\$0</b>	<b>\$22,563,861</b>

Note: There is no net revision to net assets due to realignment of assets

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS